

MEMORANDUM

To: Board of Regents

From: Board Office

Subject: University of Iowa Residence System:
FY 1999 Annual Report;
Ten-Year Plan - FY 2001-2010;
Proposed Residence Rates - Academic Year 2000-2001; and Preliminary
FY 2001 Budget

Date: March 6, 2000

Recommended Actions:

1. Receive the University of Iowa residence system FY 1999 annual report.
2. Approve the SUI residence system ten-year plan for FY 2001 through FY 2010.
3. Give preliminary consideration to the academic year 2000-2001 proposed rates including a combined double occupancy residence hall room and 20 meals per week board plan of \$4,398 (a 5.0% increase) and apartment rate increases averaging 3.4%.
4. Give consideration to the university's FY 2001 preliminary residence system budget, which is subject to further review and action when the Board approves the final FY 2001 institutional restricted fund budgets in July.

Executive Summary:

The University of Iowa operates the residence and dining system as part of its educational responsibilities. The residence system is a self-supporting operation, which offers a comprehensive program designed to enhance and complement academic learning as well as meet the on-campus residential needs of students at an affordable cost. The University's residence system does not receive any state-appropriated funds for the operation or capital improvements of the system.

During FY 1999, the SUI residence system housed 6,294 students, which represents 22.4% of total university student enrollment of 28,153. Gross residence system revenue for FY 1999 was \$26.9 million and total operating expenditures were \$19.1 million. Major repairs, replacements, and renovations, net of equipment replacement totaled \$6.3 million (\$2.9 million from the improvement reserve fund and \$3.4 million from bond proceeds) representing 1.7% of the total building replacement value of \$370.9 million. Voluntary reserves totaled \$13.1 million in FY 1999, representing 48.7% of gross revenue. During FY 1999, \$10 million in residence system bonds were issued for fire safety/detection upgrades and the west campus food service consolidation at Hillcrest Residence Hall. As of June 30, 1999, outstanding bond obligations totaled \$20.7 million.

The University of Iowa ten-year plan (summarized on Attachment 1) includes retirement of \$10.7 million of bond obligations and capital projects of \$32.0 million to be financed from new revenue bond financing. Projects include system wide fire safety/detection upgrades, food service remodeling projects in Burge, and Currier and Quad dining space renovations. The ten-year plan includes future rate increases of 3.0% for FY 2000, 1.5% for FY 2001, and 1% for FY 2002 and FY 2003.

The University of Iowa's proposed rate increases for 2000-2001 include 5.8% for a double occupancy room and 4.0% for a 20-meal board plan, for a combined room and board increase of 5.0%. The total dollar increase would be \$210, from the present rate of \$4,188 to the proposed rate of \$4,398. The average apartment proposed rate increase is 3.4%. The proposed increases in these rates form the basis for rate increases in other housing and dining contract choices (Attachment 2).

The SUI residence system preliminary budget for FY 2001 (Attachment 3) includes estimated gross revenues of \$28.9 million, expenditures for operations of \$19.7 million, and net revenues after debt service and mandatory transfers of \$4.5 million (15.4% of gross revenues).

Background/Analysis:

A. FY 1999 ANNUAL REPORT

The residence system annual report provides detailed information on various aspects of the SUI residence system for FY 1999 including enrollment data; resident hall and apartment utilization; departmental organization and administration; student government; social, cultural, and educational services; dining and vending services; plant maintenance and capital improvements; and financial operations.

Residence system usage is primarily a function of lower division undergraduate enrollment since a smaller percentage of upper class students choose to live in the residence system.

Planning has begun to install fiber optics, permitting high speed connection to the campus network, to the remaining eight residence halls. Daum, Hillcrest, and Mayflower are scheduled to be completed by August 1, 2000.

The annual report presents data for FY 1999 (Fall 1998) and current FY 2000 data (Fall 1999). The complete report is available in the Regent Exhibit Book.

University Enrollment

Total university enrollment in Fall 1998 was 28,153 students. Fall 1999 enrollment increased to 28,526 students, an increase of 373 students (1.3%).

Lower division enrollment for Fall 1998 was 9,359 students with Fall 1999 lower division enrollment at 9,502, an increase of 143 students (1.5%). Lower division enrollment as a percentage of total enrollment was 33.3%.

Residence System Occupancy

The percentage of student enrollment living in university housing (residence halls plus apartments) in Fall 1998 was 22.4% while Fall 1999 was 22.2%. This compares to a five-year average of 22.6%.

Residence hall occupancy in Fall 1998 was 5,546 students while Fall 1999 occupancy totaled 5,585 students, an increase of 39 students. As a percentage of original design capacity, Fall 1998 residence hall occupancy was 95.0% and Fall 1999 occupancy was 95.7%. Apartment occupancy for Fall 1998 was 748 students which represents 99.9% of design capacity. Fall 1999 occupancy decreased slightly to 744 representing 99.5% of capacity.

Basic Room and Board Rates

The basic residence hall room and board rate for a single student in a double occupancy room and a 20-meal contract for Fall 1998 was \$3,988 (an increase of 4.3% from the previous year). Last year, the Board approved a 5.0% rate increase, effective in Fall 1999, for a total current room and board charge of \$4,188. The ten-year average of percentage increases in room and board rates at the University of Iowa through Fall 1999 was 5.0%.

The basic room and board rate at the University of Iowa ranks lowest among its comparable peer institutions, whose 1999-2000 rates range from \$4,188 at Iowa to \$7,257 at UCLA.

Comparable Peer Universities Room and Board Rates, 1999- 2000 (Double Occupancy, Full Board)		
	<u>Room and Board Rates</u>	<u>Meal Plan</u>
UCLA	\$7,257	Debit card system
North Carolina	\$5,640	Unlimited meals
Michigan	\$5,614	18 meals per week
Illinois	\$5,544	20 meals per week
Ohio State	\$5,232	19 meals per week
Indiana	\$5,192	Debit card system
Texas	\$4,854	Debit card system (16 meals)
Minnesota	\$4,670	21 meals per week
Wisconsin	\$4,341	Debit card system: \$1,044 membership fee, and \$958 annual meal cost.
Arizona	\$4,197	Debit card system
University of Iowa	\$4,188	20 meals per week

Financial Data

UNIVERSITY OF IOWA FY 1999 FINANCIAL DATA SUMMARY

	(1) Actual FY 1998	(2) Actual FY 1999	(4) \$ Change (2) - (1)	(5) % Change (4) / (1)
Gross Revenue	\$27,009,348	\$26,900,700	\$(108,648)	(0.4)%
Expenditures for Operations	19,762,141	19,109,558	(652,583)	(3.3)%
Debt Service & Mandatory Transfers	2,585,562	2,594,613	9,051	0.4%
Net Revenue*	<u>\$4,661,645</u>	<u>\$5,196,529</u>	<u>\$534,884</u>	<u>11.5%</u>
Net Revenue as % of Gross Revenue	17.3%	19.3%		

* After expenditures for operations, debt service, and mandatory transfers.

Gross revenues for FY 1999 of \$26.9 million decreased \$108,648 (0.4%). Net revenues after debt service and mandatory transfers totaled \$5.2 million for FY 1999, an increase of \$534,884 (11.5%) over FY 1998.

FY 1999 net revenue as a percentage of gross revenue increased to 19.3% from 17.3% in FY 1998. Expenditures for operations in FY 1999 of \$19.1 million decreased 3.3% over FY 1998 of \$19.8 million. Debt service and mandatory transfers totaled \$2.6 million in FY 1999.

The outstanding revenue bond obligations for the University of Iowa residence system as of June 30, 1999, were as follows:

Year of Issue	Initial Principal	Principal Outstanding	Payout Year
1963	16,500,000	3,075,000	2003
1965	2,425,000	100,000	2000
1966	7,785,000	4,700,000	2007
1992	6,325,000	2,855,000	2003
1999	<u>10,000,000</u>	<u>10,000,000</u>	2020
	\$43,035,000	\$20,730,000	

Voluntary reserves for the University of Iowa residence system, which totaled \$13.0 million as of June 30, 1999, include the balances of the Revenue Fund, Operation and Maintenance Fund, Improvement Fund, and Surplus Fund but do not include Mandatory Reserve Funds. Since depreciation allowance is not recognized on residence system building and equipment, it is important to maintain appropriate voluntary reserve levels to apply toward the costs of renovation and replacement.

Mandatory Reserves include the balances of the Sinking Funds, Bond Reserve Funds, and Construction Funds. The balance as of June 30, 1999, totaled \$9.4 million.

Educational, Social, Cultural, and Recreational Programs

Educational, social, cultural, and recreational programs, which assist students in successful transition to college life, contribute to their academic success, enhance personal growth, and nurture the development of residential communities, are an important component of the residence hall environment.

At the University of Iowa, such programs and services include instructional technology centers, the Entering Year Program, residence hall student government, academic support programs, and personal development programs such as the foreign language house, resident assistant training, alcohol education, and committee involvement. Through the Entering Year Program, twenty-four courses were taught in the residence halls for academic credit in FY 1999. Most of the courses offered are general education courses taken by freshmen and sophomores.

B. TEN-YEAR PLAN FY 2001 - FY 2010

The University of Iowa's ten-year plan provides enrollment and occupancy projections, discussion of significant policy considerations, capital renewal plans, and financial forecasts for the next decade. (Plan summarized in Attachment 1.)

The single most important factor in the development of the ten-year plan is the projection of enrollment since estimates of housing demand, housing occupancies, needed capital improvements, operating revenues and expenses, and reserve balances are dependent upon enrollment projections. Based on enrollment projections, student demand for residence hall space is anticipated to remain steady, and the demand not housed will remain manageable.

Ten-year enrollment and occupancy projections indicate that the number of freshman and sophomore students will total 9,601 students in Fall 2000 and will remain relatively steady for the next ten years.

The University of Iowa is continuing to upgrade and maintain the residence system facilities by spending adequate resources for major repairs, replacements, and renovations.

The ten-year plan includes projections for \$32.0 million in capital projects from new revenue bond financing for projects that include system wide fire safety/detection upgrades, food service remodeling projects in Burge, and Currier and Quad dining space renovations. Hawkeye Drive and Hawkeye Court are nearing the end of their life cycles. The proposed plan is to replace a portion of the facilities by building new units rather than remodeling existing units. An investigation is underway to identify a building site closer to campus.

Maintaining reserves necessary to fund capital renewals at the planned level, as well as funding the new debt service, will require future rate increases in addition to rate increases necessary to cover operating cost increases. Ten-year estimates are stated in 1999-2000 dollars. No attempt has been made to estimate the effects of inflation.

C. PROPOSED RATES 2000-2001

The Regents residence system housing and dining services are an auxiliary function of the universities and must be self-supporting; the University of Iowa receives no state funds for its residence system. The University of Iowa has proposed rate increases for residence hall room, board, and student apartment rents for the 2000-2001 academic year. (Attachment 2)

The 2000-2001 proposed rates for residence hall double occupancy rooms, with 20 meals per week board contracts, is \$4,398, which represents an increase of \$210 (5.0%) over the 1999-2000 rate of \$4,188. Proposed increases in board rates average 4.1% for most plans. Proposed rate increases for apartments average 3.4%, with a range of 3.1% to 4.0%.

The Associated Residence Halls (ARH) Financial Board presented four proposals for housing rate increases to its House of Representatives. The ARH House voted to approve a plan that applied increases to all basic room rates and premiums for air-conditioning, private bath, kitchen units, and suite arrangements. Apartment tenants received rate information by mail prior to a March 7th town meeting where they had the opportunity to comment on rate increases. The new residence hall rates are to be effective Fall semester 2000; new apartment rates are to take effect June 1, 2000.

D. FY 2000 BUDGET AND PRELIMINARY FY 2001 RESIDENCE SYSTEM BUDGET

	Approved Budget 1999-2000	Revised Estimate 1999-2000	Proposed Budget 2000-2001
Gross Revenue	\$27,643,438	\$27,774,242	\$28,858,892
Expenditures for Operations	\$20,872,589	\$19,060,940	\$19,694,215
Debt Service & Mandatory. Transfers	\$3,151,114	\$3,463,309	\$4,709,802
Net Revenue*	\$3,619,735	\$5,249,993	\$4,454,875
Net Revenue as % of Gross Rev.	13.1%	18.9%	15.4%

* After expenditures for operations, debt service, and mandatory transfers.

The preliminary FY 2001 budget proposal contains current FY 2000 Board-approved revenue and expenditure detail, revised estimates, and the preliminary budget for FY 2001 (Attachment 3). FY 2000 revised net revenue, after debt service and mandatory transfers, is estimated to be \$5.2 million, or 18.9% of gross revenue and \$1.6 million higher than the Board approved budget.

A transfer of \$2.8 million from the Surplus Fund to the Improvement Fund is being presented for Board approval at this month's Board meeting, as indicated on the institutional docket (SUI B-6).

Voluntary reserve fund balances as of June 30, 2000, are expected to be \$14.6 million, which is \$4.8 million higher than estimated when the FY 2000 budget was approved by the Board.

SUI used the following cost increase assumptions in the development of the FY 2001 preliminary budget:

Salaries, wages, and benefits	4.0%
Utilities	2.5%
Food	2.5%
Other expenses	0 to 4%

FY 2001 net revenue, after debt service and mandatory transfers, is estimated to be \$4.5 million, or 15.4% of gross revenue, assuming the above occupancy levels and approval of the proposed rate increases.

Deb A. Hendrickson	Approved: Frank J. Stork
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TABLE A

The University of Iowa
Department of Residence Services
Ten-Year Planning Indicators (1999-2000 Dollars with 000's Omitted)

INDICATORS	Actual FY 98	Estimated FY 00	Planned									
			FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 08	FY 10
1 - ENROLLMENT & OCCUPANCY												
(a) Fall Enrollment Head Count												
H.C.	28,705	28,846	29,094	29,204	29,279	29,317	29,320	29,305	29,268	29,225	29,169	29,122
Residence Hall Housing												
(b) Original Design Capacity	5,840	5,838	5,825	5,825	5,825	5,825	5,825	5,825	5,825	5,825	5,825	5,825
(c) Current Operating Capacity	5,476	5,529	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461
(d) Occupancy	5,546	5,585	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461	5,461
(e) Occupancy Ratio (db)	95.0%	95.7%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%	93.8%
Apartment Housing												
(f) Original Design Capacity	749	748	748	748	748	748	748	748	748	748	748	748
(g) Current Operating Capacity	749	748	748	748	748	748	748	748	748	748	748	748
(h) Units Occupied	748	744	744	744	744	744	744	744	744	744	744	744
(i) Occupancy Ratio (h/i)	99.9%	99.5%	99.5%	99.5%	99.5%	99.5%	99.5%	99.5%	99.5%	99.5%	99.5%	99.5%
2 - CAPITAL IMPROVEMENTS & REPAIRS												
(a) New Construction from Bonds or Loans	\$ 4,483	7,765	11,896	1,467	5,869	1,837	7,350	1,400	5,600	0	0	0
(b) Improvements from Voluntary Reserves	\$ 4,361	3,995	4,857	5,283	5,160	4,622	4,640	3,723	3,986	4,799	4,570	3,799
(c) Repairs from Current Revenues	\$ 2,016	2,102	2,135	2,135	2,135	2,135	2,135	2,135	2,135	2,135	2,135	2,135
(d) Change in Design Capacity		-2	-13	0	0	0	0	0	0	0	0	0
(e) Gross Square Feet Maintained (000's)	2,239	2,239	2,239	2,239	2,239	2,239	2,239	2,239	2,239	2,239	2,239	2,239
3 - OPERATING REVENUES & EXPENDITURES												
(a) Total Revenues	\$ 26,901	27,742	27,640	27,588	27,557	27,425	27,344	27,232	27,192	27,077	26,968	26,864
(b) Less Expenditures (Exclude Univ O.H.)	\$ 18,110	19,029	19,184	19,184	19,184	19,184	19,184	19,184	19,184	19,184	19,184	19,184
(c) Net Operating Revenues	\$ 7,791	8,713	8,456	8,404	8,373	8,241	8,160	8,048	8,008	7,893	7,784	7,680
(d) Less Mandatory Transfers	\$ 600	600	600	600	600	600	600	600	600	600	600	600
(e) Less Debt Service	\$ 1,995	2,863	4,110	4,446	5,343	4,692	5,282	5,401	5,834	4,794	4,796	4,797
(f) Add Rate Adj. to Maintain Reserves	\$ 0	0	709	1,101	1,395	1,704	1,794	1,888	1,987	2,091	2,201	2,317
(g) Net to Voluntary Reserves	\$ 5,196	5,250	4,455	4,459	3,825	4,653	4,072	3,935	3,561	4,590	4,589	4,600
4 - VOLUNTARY (UNRESTRICTED) RESERVES												
(a) Beginning Balance	\$ 11,027	13,098	14,613	14,432	13,829	12,715	12,967	12,620	13,053	12,849	12,861	13,101
(b) Add Mandatory Transfers from (3d)	\$ 600	600	600	600	600	600	600	600	600	600	600	600
(c) Add Net to Voluntary Reserves from (3g)	\$ 5,196	5,250	4,455	4,459	3,825	4,653	4,072	3,935	3,561	4,590	4,589	4,600
(d) Less Improvements (2b) & Other Costs	\$ 3,725	4,335	5,236	5,662	5,539	5,001	5,019	4,102	4,365	5,178	4,949	4,178
(e) Year-End Balance	\$ 13,098	14,613	14,432	13,829	12,715	12,967	12,620	13,053	12,849	12,861	13,101	14,123

**The University of Iowa
Residence System Rates
Proposed Rate Schedule**

	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Increase</u>	
			<u>Amount</u>	<u>Percent</u>
RESIDENCE HALLS				
Academic Year 2000-01				
Basic Room Rates (per person)				
Multiple	\$ 1,654 *	\$ 1,730 *	\$ 76	4.6%
Triple	1,917 *	2,006 *	89	4.6%
Double	2,227 *	2,356 *	129	5.8%
Single	2,690 *	2,827 *	137	5.1%
Additional Rate Per Room For:				
Rooms with airconditioning	376	398	22	5.9%
Rooms with private bath	1,274	1,350	76	6.0%
Rooms with kitchen units	327	345	18	5.5%
Suites	906	957	51	5.6%
Temporary Housing (per person)				
(daily rate)	2.00	2.00		
Board Rates (7-day plans)				
Full Board (20 meals per week)	1,961	2,042	81	4.1%
Lunch & Dinner (13 meals per week)	1,880	1,957	77	4.1%
Breakfast & Dinner (14 meals per week)	1,723	1,794	71	4.1%
Board Rates (Monday through Friday plans)				
Full Board	1,916	1,995	79	4.1%
Lunch & Dinner	1,794	1,868	74	4.1%
Breakfast & Dinner	1,450	1,510	60	4.1%
Breakfast & Lunch	1,323	1,377	54	4.1%
Breakfast Only	510	531	21	4.1%
Lunch Only	865	901	36	4.2%
Dinner Only	997	1,038	41	4.1%

* Includes \$10.00 (\$5.00 per semester) for Associated Residence Halls Activity Fee

	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Increase</u>	
			<u>Amount</u>	<u>Percent</u>
RESIDENCE HALLS				
Summer Session 2001				
Basic Room Rates (per person)				
Single	\$ 651	\$ 684	\$ 33	5.1%
Double	539	570	31	5.8%
Triple	464	486	22	4.7%
Multiple	400	419	19	4.8%
Additional Rate Per Room For:				
Rooms with airconditioning	376	398	22	5.9%
Rooms with private bath	309	328	19	6.1%
Rooms with kitchen units	80	83	3	3.8%
Board Rates (7-day plans)				
Full Board (20 meals per week)	532	554	22	4.1%
Lunch & Dinner (13 meals per week)	491	511	20	4.1%
Breakfast & Dinner (14 meals per week)	418	435	17	4.1%
Board Rates (Monday through Friday plans)				
Full Board	494	514	20	4.0%
Lunch & Dinner	411	428	17	4.1%
Breakfast & Dinner	331	345	14	4.2%
Breakfast & Lunch	305	318	13	4.3%
Breakfast Only	127	132	5	3.9%
Lunch Only	217	226	9	4.1%
Dinner Only	246	256	10	4.1%

FAMILY HOUSING/UNIVERSITY APARTMENTS**Parklawn**

Efficiency	\$ 274	\$ 285	\$ 11	4.0%
1 Bedroom	346	360	14	4.0%

Hawkeye Court

1 Bedroom	320	330	10	3.1%
2 Bedroom	363	375	12	3.3%

Hawkeye Drive

2 Bedroom	438	455	17	3.9%
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Staff & Faculty (Additional)

15	20
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All rates include water, local telephone service and one telephone per apartment.

Other than heat in Hawkeye Drive, gas and electricity are paid by the tenant directly to the local utility company as metered.

All units are unfurnished.

**The University of Iowa
Residence System Preliminary Budget 2000-01**

	Actual 1998-99	Board Approved Budget 1999-2000	Revised Estimate 1999-2000	Proposed Budget 2000-01
OPERATIONS (Modified Cash Basis)				
Revenues	26,900,700	27,643,438	27,774,242	28,858,892
Expenditures for Operations	19,109,558	20,872,589	19,060,940	19,694,215
Net Revenues	7,791,142	6,770,849	8,713,302	9,164,677
% of Revenues	29.0%	24.5%	31.4%	31.8%
Debt Service (due July 1)	1,994,613	2,551,114	2,863,309	4,109,802
Mandatory Transfers	600,000	600,000	600,000	600,000
Net After Debt Service & Mandatory Transfers	5,196,529	3,619,735	5,249,993	4,454,875
% of Revenues	19.3%	13.1%	18.9%	15.4%
University Overhead Payment From Surplus	307,080	340,094	340,092	378,972
CASH AND INVESTMENT BALANCES (June 30)				
Revenue Fund	\$	\$	\$	\$
Operation & Maintenance Fund	1,000,000	1,000,000	1,000,000	1,000,000
Improvement Fund	5,419,523	3,553,026	4,857,026	5,282,912
Surplus Fund	6,679,614	5,261,005	8,757,147	8,150,138
Subtotal—Voluntary Reserves	13,099,137	9,814,031	14,614,173	14,433,050
Sinking Fund	1,846,282	2,328,538	2,359,847	2,580,524
Bond Reserve Fund	2,843,678	3,167,686	4,182,542	4,182,542
Construction Fund - 1999 Bonds	4,730,449	530,000	0	0
Construction Fund - 2000 Bonds			11,840,548	0
Subtotal—Mandatory Reserves	9,420,409	6,026,224	18,382,937	6,763,066
Total Reserve Balances (June 30)	22,519,546	15,840,255	32,997,110	21,196,116
REVENUES AND EXPENDITURES DETAIL				
Revenues				
Contracts	23,327,247	24,275,058	24,488,275	25,428,547
Interest	924,303	775,699	1,014,031	1,160,974
Other Income	2,649,150	2,592,681	2,271,936	2,269,371
Total Revenues	26,900,700	27,643,438	27,774,242	28,858,892
Expenditures for Operations				
Salaries, Wages & Benefits	7,912,508	8,276,653	7,807,167	8,063,958
Cost of Food or Goods Sold	1,984,388	2,038,907	2,034,688	2,038,932
Other Operating Expense	3,811,057	4,199,633	3,747,882	3,960,971
Utilities	3,385,973	4,061,777	3,368,863	3,495,286
Repairs & Maintenance	2,015,632	2,295,619	2,102,340	2,135,068
Total Expenditures	19,109,558	20,872,589	19,060,940	19,694,215